Observations on Poland

- Privatization:
  - Utilized “shock therapy” to quickly privatize hundreds of industries
  - Enforced economic liberalization policy and competition
  - Created modern manufacturing and technology sectors
  - Encouraged public stock trading

- Entrepreneurship:
  - Protected “de novo” industry and businesses through regulation;
  - Encouraged foreign investments and policy collaboration
  - Low government corruption

- Urbanization:
  - Navigate old Soviet red tape to modernize municipal areas
  - Developed successful suburban business areas; low inner city development
  - EU membership → development of new industry, partners, and investment

Observations on Belarus

- Privatization:
  - Put restrictions on what could become private
  - Legal loopholes → corruption in commodity industry
  - Perceived pressure from Russia to stay communist
  - Did not diversify from manufacturing and agriculture

- Entrepreneurship:
  - Fixed prices in each industry (businesses could not sustain)
  - Strict regulation on de novo and transfer companies
  - More legal loopholes → officials make money off of failure

- Urbanization:
  - Little to no suburban development
  - Money spent on rural agriculture and manufacturing, not modernization
  - Central government controls city policy

Conclusion

- Poland quickly privatized, then enacted regulation → flexibility for citizens to make and spend money
- Corrupt Belarusian officials wanted to keep their power in a strong central government, slow to privatize
- Belarus did not see value in partnering or competing with the west; Poland did
- Poland GDP per capita increase 844% from $1,700 to $14,337; 1/3 of GDP is from small private business
- Belarus GDP per capita increase 482% from $1,700 to $8,025; 20% of GDP is from entire private sector

Research Question

- What explains variation in economic success by former communist governments?
- Different strategies? Leadership?
- Poland and Belarus had similar starting points. Poland is more successful. Why?
- Goal of diversification, foreign investment, integration on global scale
- Analysis of
  - Privatization strategies,
  - Business and entrepreneurship regulation
  - Urbanization processes

Methods

- Similar economic conditions in early 1990s
- Agricultural and low-tech manufacturing
- Similar GDP/capita
- Poland: 1990; Belarus: 1992
- Indicators are GDP, GDP per capita, and GDP growth rate to track economic growth patterns